hale & twomey

ARETÊ CONSULTING LTD

14 February 2012

Matthew Lewer
Chief Adviser, Regulation Branch
Commerce Commission
P O Box 2351
Wellington

Dear Matthew,

Re: Deferral of Commencement Date for Initial Default Price-Quality Path for Gas Pipeline Services – Draft Decision dated 3 February 2012

1. This following submission is made on behalf of the Major Gas Users Group (MGUG):
   a. Fonterra Cooperative Ltd
   b. Carter Holt Harvey Ltd
   c. New Zealand Steel Ltd
   d. New Zealand Refining Company Ltd
   e. Ballance Agri-Nutrients Ltd

2. In our submission dated 19 December 2011 the MGUG did support the Commission's view that starting prices should be set by reference to each supplier's current and projected profitability[1]. We therefore have some sympathy for the Commission view favouring deferral because of the ability to set starting prices from the outset of the regulatory period.

3. We are concerned however that the starting point for the regulatory period could be considerably delayed, indeed as late as 1 October 2013. Given the uncertainty around investment requirements for key parts of the gas transmission infrastructure (Vector North) an additional downside is that delay adds further to this uncertainty[2]. It is the MGUG's submission that the Commission should look to minimise the period of deferral and ensure that risks of further delay are minimised.

Yours sincerely

Hale & Twomey Ltd/Arete Consulting Ltd
For the Major Gas Users Group

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[1] MGUG submission on 21 November Draft Reasons Paper dated 19 December 2011

[2] It also exacerbates the impact on consumers if over-recovery is found to be made out.

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